

28 JUL 1958

MEMORANDUM FOR: Deputy Director (Support)

SUBJECT : Increase in Hospitalization Premium Rates

1. This memorandum is for your information and is submitted prior to taking the administrative steps necessary to implement these changes.

2. On 22 July 1955 the Board of Directors of GEHA, Incorporated, voted to increase as of September 1, 1958 the premium rates for the Mutual of Omaha Hospitalization and Surgical Benefits Plan. The new rates are \$8.25 per month for the family plan (11.5% increase) and \$3.00 per month for the individual plan (11.1% increase).

3. This action was taken based not only upon a letter (Tab A) from Mutual of Omaha pointing out our current adverse claims experience, but also on our own analysis of both their statistics and those kept by the Benefits and Casualty Division, Office of Personnel.

4. Since the beginning of our hospitalization contracts with Mutual of Omaha it has paid out in claims 96.7% of premiums. Inasmuch as they have an automatic premium tax of 2%, this leaves only a retention for administrative expenses and profit of 1.3%. This latter figure should normally be between 10 and 12 per cent for continued operation, but by oral agreement with Omaha they only ask the 10% figure from the Agency.

5. The letter from Omaha is in the form of a request for consideration of a new rate, however, it should be noted that our contract for this year expires on 31 July 1958 and Omaha can insist on a favorable premium rate for the issuance of a new contract.

6. It is believed that the increase voted will provide the excess required to pay the claims, the 2% premium tax and the necessary retention to the Company. If, however, our claims continue to run at an excessive rate it may be necessary to make a further adjustment next year.

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By	
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7. The Director of Personnel was present at the GEHA meeting and concurred in the Board action.

8. Please return the attached letter from Omaha to this office.

STATINTL

151
[Redacted]
Chairman, Board of Directors
GEHA, Inc.

Attachment:

Letter from Mutual of Omaha
dated 3 July 1958

Distribution:

Orig. ~~sent back to Security~~ and 1 - Addressee

1 - Director of Personnel

1 - C/Benefits and Casualty Div.
(Office of Personnel)

3 - DDLS (Chron subject reading)

Noted and approved. I briefed the Director on this matter at the Deputies' Meeting on 29 July 58 at which time he approved of the action taken by the Board on 22 July 58.

151 L. K. White

DD/S

29 July 1958